

EXECUTIVE SUMMARY

The outlook for Idaho employment over the next few years has improved since the October 1998 *Idaho Economic Forecast* was published. The biggest change is in 1998. Previously, it was anticipated that nonfarm employment in the Gem State would rise 2.2%. In the current forecast, this same measure is expected to increase 2.9%. All of this improvement reflects the stronger-than-expected job picture in the second and third quarters of 1998. New data show that employment was more than 4,000 higher than previously estimated in each of these quarters. The higher employment numbers in 1998 will not have much of an impact beyond raising the starting point for the current forecast. As was mentioned above, the nonfarm employment growth rate in 1998 has been raised from 2.2% to 2.9%. However, employment expands at roughly the same rate in the remaining years of this forecast as it did in the previous forecast. Specifically, it is forecast to rise 1.6% in 1999, 2.2% in 2000, 2.1% in 2001, and 2.5% in 2002. In the previous forecast it was expected to rise 1.6% in 1999, 2.1% in both 2000 and in 2001, and 2.6% in 2002. Idaho personal income displays a similar pattern. Idaho nominal personal income grows 4.4% in 1999, 5.1% in 2000, 5.2% in 2001, and 5.6% in 2002. This is about the same as in the previous forecast. Idaho real personal income is forecast to rise 2.4% in 1999, 2.7% in 2000, 2.6% in 2001, and 2.9% in 2002.

This is not surprising because the national outlook has not changed dramatically. After a scare last fall, things appear to have changed in the economy's favor. Although it appears the "Goldilocks economy" has escaped the bears, it is still not out of the woods. A couple of traps that could stall or reverse the economy's progress remain. The greatest danger is internal. The U.S. economy's recent success is in no small part due to the strong consumer confidence that has fueled spending. However, as the first few years after the 1990-91 recession have taught us, consumers can be fickle. One troublesome development in the extremely low savings rate in the U.S. over the past year. Should consumer confidence suddenly go south, it could lead the economy into a recession. A less serious problem, but a problem nonetheless, is Japan. While most of the other Asian countries that faced crises have seen their economies stabilize recently, Japan's economy remains a basket case. While steps have been taken to shore up the banking system of Asia's economic engine, only time will tell if these moves will successfully restart Japan's economy. The current forecast assumes that the "Goldilocks economy" will avoid most traps. Therefore, no recession is anticipated over the forecast period.

IDAHO ECONOMIC FORECAST

EXECUTIVE SUMMARY

JANUARY 1999

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
GDP (BILLIONS)										
Current \$	6,558	6,947	7,270	7,662	8,111	8,489	8,775	9,158	9,547	10,014
% Ch	5.0%	5.9%	4.6%	5.4%	5.9%	4.7%	3.4%	4.4%	4.2%	4.9%
1992 Chain-Weighted	6,390	6,611	6,762	6,995	7,270	7,531	7,661	7,837	7,999	8,200
% Ch	2.3%	3.5%	2.3%	3.4%	3.9%	3.6%	1.7%	2.3%	2.1%	2.5%
PERSONAL INCOME - CURR \$										
Idaho (Millions)	19,475	20,628	22,071	23,430	24,681	25,932	27,074	28,460	29,943	31,624
% Ch	10.0%	5.9%	7.0%	6.2%	5.3%	5.1%	4.4%	5.1%	5.2%	5.6%
Idaho Nonfarm (Millions)	18,339	19,979	21,371	22,647	23,956	25,250	26,351	27,698	29,160	30,821
% Ch	8.6%	8.9%	7.0%	6.0%	5.8%	5.4%	4.4%	5.1%	5.3%	5.7%
U.S. (Billions)	5,481	5,758	6,072	6,425	6,784	7,119	7,426	7,748	8,088	8,470
% Ch	4.3%	5.1%	5.5%	5.8%	5.6%	4.9%	4.3%	4.3%	4.4%	4.7%
PERSONAL INCOME - 1992 \$										
Idaho (Millions)	18,967	19,615	20,518	21,347	22,073	22,996	23,549	24,175	24,808	25,539
% Ch	7.2%	3.4%	4.6%	4.0%	3.4%	4.2%	2.4%	2.7%	2.6%	2.9%
Idaho Nonfarm (Millions)	17,861	18,998	19,867	20,634	21,425	22,392	22,920	23,528	24,160	24,890
% Ch	5.7%	6.4%	4.6%	3.9%	3.8%	4.5%	2.4%	2.7%	2.7%	3.0%
U.S. (Billions)	5,339	5,476	5,645	5,854	6,068	6,313	6,459	6,582	6,702	6,841
% Ch	1.6%	2.6%	3.1%	3.7%	3.6%	4.1%	2.3%	1.9%	1.8%	2.1%
HOUSING STARTS										
Idaho	11,456	12,768	9,361	9,216	8,868	9,738	9,392	9,745	9,845	10,028
% Ch	19.5%	11.5%	-26.7%	-1.6%	-3.8%	9.8%	-3.6%	3.8%	1.0%	1.9%
U.S. (Millions)	1.292	1.446	1.361	1.470	1.478	1.592	1.502	1.475	1.469	1.496
% Ch	7.5%	12.0%	-5.9%	8.0%	0.6%	7.7%	-5.6%	-1.8%	-0.4%	1.9%
TOTAL NONFARM EMPLOYMENT										
Idaho (Thousands)	436.7	461.2	477.4	492.6	508.8	523.6	532.2	543.7	555.4	569.0
% Ch	4.8%	5.6%	3.5%	3.2%	3.3%	2.9%	1.6%	2.2%	2.1%	2.5%
U.S. (Millions)	110.7	114.1	117.2	119.6	122.7	125.8	127.4	128.9	130.5	132.2
% Ch	1.9%	3.1%	2.7%	2.1%	2.6%	2.5%	1.3%	1.2%	1.2%	1.3%
FINANCIAL MARKETS										
Federal Funds Rate	3.0%	4.2%	5.8%	5.3%	5.5%	5.4%	4.4%	4.1%	4.5%	4.5%
Bank Prime Rate	6.0%	7.1%	8.8%	8.3%	8.4%	8.4%	7.4%	7.1%	7.5%	7.5%
Mort Rate, New Homes	7.2%	7.5%	7.9%	7.8%	7.7%	7.1%	6.7%	6.3%	6.5%	6.6%
INFLATION										
GDP Price Deflator	2.6%	2.4%	2.3%	1.9%	1.9%	1.0%	1.6%	2.0%	2.1%	2.3%
Personal Cons Deflator	2.7%	2.4%	2.3%	2.0%	1.9%	0.9%	2.0%	2.4%	2.5%	2.6%
Consumer Price Index	3.0%	2.6%	2.8%	2.9%	2.3%	1.6%	2.4%	2.7%	2.8%	2.8%

National Variables Forecast by Standard and Poor's DRI
Forecast Begins the THIRD Quarter of 1998

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JANUARY 1999

	1998				1999				2000			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP (BILLIONS)												
Current \$	8,384	8,441	8,527	8,605	8,665	8,729	8,818	8,887	9,011	9,114	9,212	9,296
% Ch	6.4%	2.7%	4.1%	3.7%	2.9%	2.9%	4.2%	3.2%	5.7%	4.7%	4.4%	3.7%
1992 Chain-Weighted	7,465	7,499	7,559	7,601	7,619	7,639	7,681	7,705	7,768	7,819	7,865	7,897
% Ch	5.5%	1.8%	3.3%	2.2%	0.9%	1.1%	2.2%	1.3%	3.3%	2.7%	2.4%	1.6%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	25,469	25,847	26,054	26,358	26,626	26,906	27,231	27,533	27,917	28,306	28,641	28,975
% Ch	7.2%	6.1%	3.2%	4.7%	4.1%	4.3%	4.9%	4.5%	5.7%	5.7%	4.8%	4.8%
Idaho Nonfarm (Millions)	24,792	25,144	25,397	25,667	25,940	26,202	26,489	26,773	27,163	27,546	27,875	28,206
% Ch	8.2%	5.8%	4.1%	4.3%	4.3%	4.1%	4.5%	4.4%	6.0%	5.8%	4.9%	4.8%
U.S. (Billions)	7,004	7,082	7,156	7,235	7,316	7,391	7,466	7,530	7,624	7,709	7,790	7,867
% Ch	5.9%	4.5%	4.2%	4.5%	4.5%	4.2%	4.2%	3.4%	5.1%	4.5%	4.2%	4.0%
PERSONAL INCOME - 1992 \$												
Idaho (Millions)	22,680	22,965	23,093	23,247	23,354	23,468	23,624	23,750	23,932	24,121	24,257	24,391
% Ch	7.2%	5.1%	2.3%	2.7%	1.9%	2.0%	2.7%	2.1%	3.1%	3.2%	2.3%	2.2%
Idaho Nonfarm (Millions)	22,077	22,341	22,511	22,638	22,753	22,853	22,980	23,094	23,285	23,473	23,609	23,743
% Ch	8.2%	4.9%	3.1%	2.3%	2.1%	1.8%	2.2%	2.0%	3.4%	3.3%	2.3%	2.3%
U.S. (Billions)	6,237	6,293	6,342	6,381	6,417	6,447	6,478	6,495	6,536	6,570	6,598	6,623
% Ch	5.9%	3.6%	3.2%	2.5%	2.3%	1.8%	1.9%	1.1%	2.5%	2.1%	1.7%	1.5%
HOUSING STARTS												
Idaho	10,886	9,762	9,215	9,090	9,202	9,324	9,457	9,585	9,670	9,729	9,777	9,803
% Ch	68.4%	-35.3%	-20.6%	-5.3%	5.0%	5.4%	5.8%	5.5%	3.6%	2.4%	2.0%	1.1%
U.S. (Millions)	1,582	1,568	1,632	1,584	1,538	1,500	1,491	1,479	1,466	1,477	1,481	1,477
% Ch	14.1%	-3.5%	17.4%	-11.2%	-11.1%	-9.7%	-2.3%	-3.1%	-3.5%	2.9%	1.2%	-1.1%
TOTAL NONFARM EMPLOYMENT												
Idaho (Thousands)	519.0	523.1	524.9	527.4	529.1	530.9	533.2	535.6	538.6	542.9	545.4	547.9
% Ch	3.7%	3.2%	1.4%	1.9%	1.3%	1.4%	1.7%	1.9%	2.3%	3.2%	1.8%	1.8%
U.S. (Millions)	124.8	125.5	126.1	126.6	126.9	127.2	127.5	127.8	128.2	128.7	129.2	129.6
% Ch	2.8%	2.3%	2.0%	1.6%	0.9%	1.0%	0.9%	0.9%	1.3%	1.6%	1.4%	1.3%
FINANCIAL MARKETS												
Federal Funds Rate	5.5%	5.5%	5.5%	5.1%	4.8%	4.5%	4.2%	4.0%	4.0%	4.0%	4.0%	4.2%
Bank Prime Rate	8.5%	8.5%	8.5%	8.1%	7.7%	7.5%	7.2%	7.0%	7.0%	7.0%	7.0%	7.2%
Mort Rate, New Homes	7.2%	7.2%	7.1%	7.1%	6.9%	6.7%	6.6%	6.5%	6.4%	6.3%	6.3%	6.3%
INFLATION												
GDP Price Deflator	0.9%	0.9%	0.8%	1.4%	1.9%	1.9%	1.9%	1.9%	2.3%	2.0%	2.0%	2.0%
Personal Cons Deflator	0.0%	0.9%	1.0%	2.0%	2.2%	2.3%	2.2%	2.3%	2.5%	2.4%	2.5%	2.5%
Consumer Price Index	0.5%	2.0%	1.8%	2.6%	2.6%	2.5%	2.5%	2.7%	2.8%	2.7%	2.7%	2.7%

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